Japanese Carbon and Alloy Flat Products Exclusion Request

Product Category: Coated Products (#6)

(a)	Product Designation/HTS	**Coated Steel Sheet for Reinforcement or Heat-Shrinkable Bands ("HS Bands")** 7225.91.00.00
(b)	Product Description	(1) Mechanical Properties (1-1) Yield Strength: 26 - 41kg/mm^2 (1-2) Tensile Strength: 41 - 65kg/mm^2 (2) Magnetic Property: 350 and more (3) Coating (3-1) Main Coating: Pure zinc or zinc-nickel (3-2) Additional Coating: Chromate only or chromate and chemical coating. (Modified chromate coating is also used.)
(c)	Basis for Exclusion	See text below
(d)	Names and Location of U.S. and Foreign Producers	See Attachment A
(e)	U.S. Consumption	See Attachment B
(f)	U.S. Production	See Attachment B
(g)	Substitutible Products	See Attachment C

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Willkie Farr & Gallagher

U.S. manufacturers of televisions, including Sony and Panasonic/Matsushita Electric, use corrosion-resistant alloy steel for heat-shrinkable bands. It is a high-strength, cold-rolled steel, electrolytically coated with either pure zinc or zinc-nickel. The coated steel has improved geomagnetic shielding properties used for explosion-proof band or an outer magnetic shielding material for television and computer monitor cathode-ray tubes to protect against explosion in the event the picture tube is shattered.[1] Matsushita Display Devices Company of America (MDDA) uses this to manufacture a shrink-fit implosion protection band for Panasonic's "Pure Flat" (PF) Color Picture Tubes.

The two distinguishing characteristics of this material are: high magnetic properties and high tensile/yield strength. No U.S. mill can produce coated sheet combining these two characteristics. The domestic steel companies are only able to produce coated steel with one, but not both of these characteristics. In fact, NKK and Nippon Steel worked with their end users to develop this technology, and have obtained patents in Japan. Strict high-tensile

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[1] *See*, Affidavit of Louis Dubois, Purchasing Agent, Sony Electronics, Inc. (**Attachment D**).

strength control is needed for protection from the explosion of the cathode-ray tubes. The magnetic properties control is required to avoid a color drift caused by geomagnetic influence.

This steel's use in manufacturing implosion protection bands is a pivotal element of the picture tube. As explained by Christopher Read of MDDA in his affidavit:

> During the implosion proofing process of picture tube manufacturing, the implosion protection band is heated up and expands. This allows the band to be fitted around the periphery of the picture tube. During subsequent cooling down process the implosion protection band shrinks back to the original dimension and creates pressure around the picture tube periphery, which equalizes the external atmospheric pressure and does not allow the picture tube to collapse and implode. The HS band also is used as a secondary magnetic shield element of the picture tube.[2]

There are three particular qualities that make this steel especially suitable for this application. First, this coated steel sheet has a higher tensile strength. This is necessary because the perfectly flat picture tube is more susceptible to implode than a conventional (curved) tube and higher tensile strength is necessary. Secondly, it has a higher permeability because a "perfectly flat picture tube requires additional magnetic shielding due to lower purity tolerance under a terrestrial magnetic field."[3] Finally, this steel is superior for these purposes because it has a greater resistance to higher temperatures. This is necessary to enable the steel to withstand the 500 degree Celsius temperatures of the thermal expansion process used to apply the band on the picture tube.

MDDA has requested that its supplier, Englewood Precision, find domestic sources for this steel. It has been unsuccessful in finding a domestic steel that has all of these properties necessary for MDDA's 32v and 36b Pure Flat tubes. In fact, "Domestic steel producers indicate to EPI that they are not able to make the sizeable investment efforts to produce bands to MDDA's specifications."[4]

MDDA is the largest employer in Miami County, Ohio, brings in about $110 million to the community, and employs approximately 1500 workers. MDDA is committed to purchasing domestically produced products, and in fact, purchases 70% of its materials from the NAFTA region. Any disruption in supply or higher prices that MDDA would be forced to pay would have a negative impact not only on MDDA, but also on the surrounding community that depends upon it.

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[2] *See* Affidavit of Christopher Read of Matsushita Display Devices of America (**Attachment D**).

[3] *Id.*

[4] *Id.*

Sony Electronics is particularly vulnerable to the potential decisions of this case. It purchases five types of specialty steel and must be able to import these products to continue production of its CRTs.[5] Sony manufactures CRTs in both Mount Pleasant, Pennsylvania and San Diego, California. In those two facilities Sony has over [ ] employees, and purchases from over 1,200 domestic suppliers.[6] Currently, Sony Electronics is the only domestic manufacturer of direct view televisions in the United States. There used to be 34 other television manufacturers in the United States in 1990. However, a vast majority of them have relocated their facilities in Mexico where the labor is significantly cheaper and where they pay only [ ] the duty rate on their imports due to a special program called PROSEC that has significantly reduced duties on Non-NAFTA parts imported into Mexico.[7] If a 40% tariff were placed on Sony's imports, they would lose over [ ] a year.[8] Because of the intense competition they face with cheap imports from Mexico, Sony would not be able to continue manufacturing at its current levels.

If this product becomes unavailable to Matsushita and Sony, it will bring the purchasers' factories to a standstill. Only two U.S. purchasers buy this product, and so the sales volume is limited. Applying quotas or tariffs to this product will not help the domestic steel industry because it does not even produce HS band. For these reasons HS band, as defined here, should be excluded from any 201 remedy.

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5 See the following exhibits for those arguments: Coated Steel Sheet for Reinforcement of Heat-Shrinkable Bands; Tin Free Steel for Inner Magnetic Shields; SCM 415, SCM 415 (modified), and NST 490 for CRT frames.

6 *See* Affidavit of John Halac and Louis Dubois of Sony Electronics (**Attachment D**).

7 *Id.*

8 *Id.*

Attachment A

Foreign Producers

(1) NKK Corporation

- Address: 1-1-2, Marunouchi Chiyoda-ku, Tokyo 100, Japan
- Phone: 011-81-3-3217-2444
- Fax: 011-81-3-3214-8417

(2) Nippon Steel Corporation

- Address: 6-3, Otemachi 2 chome, Chiyoda-ku, Tokyo 100-71, Japan
- Phone: 011-81-3-3275-5181
- Fax: 011-81-3-3275-5984

Domestic Producers

- No Known Domestic Producers

COATED

HS Band (certain coated steel sheet for reinforcement bands)

Quantity						**January - June**		**Projections**					
Company	**1996**	**1997**	**1998**	**1999**	**2000**	**YTD 2000**	**YTD 2001**	**2001**	**2002**	**2003**	**2004**	**2005**	
[	3,667	3,914	4,006	5,124	8,227	3,984	1,631	1,873	1,124	1,124	1,124	1,124	
	0	0	0	0	1,393	0	1,022	2,341	2,341	2,341	2,341	2,341	
Total	3,667	3,914	4,006	5,124	9,619	3,984	2,652	4,214	3,465	3,465	3,465	3,465	]

Value *						**January - June**		**Projections**					
Company	**1996**	**1997**	**1998**	**1999**	**2000**	**YTD 2000**	**YTD 2001**	**2001**	**2002**	**2003**	**2004**	**2005**	
[	2,158,725	2,272,983	2,314,190	3,106,503	4,983,329	2,399,415	1,003,034	1,152,051	691,230	691,230	691,230	691,230	
	0	0	0	505,084	1,116,791	656,598	797,376	1,866,056	1,866,056	1,866,056	1,866,056	1,866,056	
Total	2,158,725	2,272,983	2,314,190	3,611,587	6,100,121	3,056,013	1,800,410	3,018,107	2,557,286	2,557,286	2,557,286	2,557,286	]
U.S. Production	0	0	0	0	0	0	0	0	0	0	0	0	
Imports from Other Countries	0	0	0	0	0	0	0	0	0	0	0	0	
Total U.S. Consumption													
[Quantity	3,667	3,914	4,006	5,124	9,619	3,984	2,652	4,214	3,465	3,465	3,465	3,465	]
[Value	2,158,725	2,272,983	2,314,190	3,611,587	6,100,121	3,056,013	1,800,410	3,018,107	2,557,286	2,557,286	2,557,286	2,557,286	]

Attachment C

Known Substitutable Products: None

U.S. Production: None

U.S. Producers: None

PUBLIC VERSION

AFFIDAVIT OF LOUIS DUBOIS
PURCHASING AGENT, SONY ELECTRONICS INC.

I, **Louis DuBois**, declare and state to the best of my knowledge and belief, that:

1. Sony Electronics Inc. is the exclusive purchaser of 42RSN from [This is a specialized tin-free steel that is not produced in the United States and must be imported from Japan. 42RSN steel is used by Sony to produce inner magnetic shields ("IMS") that will be incorporated into 42" cathode ray tubes ("CRT"). Sony expects to be importing approximately [tons per year.

2. The function of the IMS is to shield electrons, shot by an electron gun, from outside magnetic field interference, commonly called "beam shielding." After a demagnetization process that occurs when the television set is switched on, the IMS exhibits a positive magnetic shielding effect allowing the electron beam to pass through the CRT and to be re-directed by the deflection yoke to form a picture on a screen. There are no substitutes for 42RSN for this purpose. These large 42" CRTs will require the use of 42RSN tin free steel that has even more stringent magnetic specifications than the 34/38RSN tin free steel.

3. Like 34/38RSN, 42RSN is single reduced electrolytically chromium coated specialty steel used in the manufacturing of IMSs. Unlike 34/38RSN, the IMSs produced from 42RSN will be incorporated into 42" CRTs rather than 34" and 38" CRTs. The U.S. steel industry never produced 34/38RSN and we doubt that they will even try to produce the larger 42RSN.

4. The magnetic properties of magnetic flux density ("Br") and coercive force ("Hc") are the critical specifications that the steel needs to possess for high quality beam shielding. Br measures the steel's residual magnetic flux density and determines how well the IMS can become a positive shielding material. The higher the Br, the higher the magnetic shielding effect of the material. This results in greater resistance against outside magnetic field interference allowing the electron beam to form a higher quality picture. Hc measures the steel's (magnetic) coercive force, and determines how much energy is required to demagnetize the steel. The lower the Hc, the greater the overall energy efficiency of the television.

5. 42RSN requires even more stringent specifications for the magnetic properties than the 34/38 RSN. 42RSN possesses a Br of 10.00 kG minimum and a Hc of 3.8 Oe maximum. Although 34/38RSN possesses a comparable Hc of 2.5-3.8 Oe, the Br of 42RSN is more stringent than 34/38RSN. These magnetic properties are critically important in determining the picture quality and energy efficiency. The steel used in a 42" IMS requires a greater Br and comparable Hc to produce a picture quality equivalent to the 32" and 36" color televisions that use 34/38RSN steel. Sony is unable to purchase specialty

steel from any U.S. domestic steel manufacturer with the same or comparable magnetic specifications of 42"/RSN required by Sony to produce IMS's for 42" CRTs.

6. Another product that Sony imports and that is not produced domestically is the corrosion-resistant alloy steel product for heat-shrinkable bands. It is a high-strength, cold-rolled steel, electrolytically coated with either pure zinc or zinc-nickel. The coated steel has improved geomagnetic shielding properties used for explosion-proof band or an outer magnetic shielding material for television and computer monitor cathode-ray tubes to protect against explosion in the event the picture tube is shattered. Strict high-tensile strength control is needed for protection from the explosion of the cathode-ray tubes. The magnetic properties control is required to avoid a color drift caused by geomagnetic influence.

7. No U.S. mill can produce this type of coated sheet that combines both high magnetic properties and a high tensile/yield strength. The domestic steel companies are only able to produce coated steel with one, but not both of these characteristics. In fact, [ ] worked with their end users to develop this technology, and have obtained patents in Japan.

8. If either 42RSN or HS-bands become unavailable to Sony , it will bring our factories to a standstill because we cannot buy it in the United States. Applying quotas or tariffs to this product will not help the domestic steel industry because it does not produce either of them, and so they should be excluded from the scope of this case.

Louis Dubois Purchasing Agent
{NAME}

Dated: 9-10-01

Sony Display Device
Pittsburgh

State of Pennsylvania
County of Westmoreland

Subscribed and sworn to before me this 10th day of September, 2001.

Maryann Schach
Notary Public

My commission expires: September 14, 2002

Notarial Seal
Maryann Schach, Notary Public
East Huntingdon Twp., Westmoreland County
My Commission Expires Sept. 14, 2002
Member, Pennsylvania Association of Notaries

SONY

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Sony Electronics Inc., Display Device Pittsburgh
Sony Electronics Inc., Sony Technology Center – San Diego

AFFIDAVIT OF JOHN HALAC, PURCHASING SUPERVISOR
AND LOUIS DUBOIS, PURCHASING AGENT, SONY ELECTRONICS INC.

We, John Halac and Louis Dubois, declare and state to the best of our knowledge and belief, that:

1. Sony Electronics produces color television picture tubes in San Diego, California and Mount Pleasant, Pennsylvania. We use domestic steel as well as imported steel from Japan to produce our cathode ray tubes (CRTs) for our televisions. Specifically, we use several specialty Japanese steel products that are not available domestically. The imported steel includes coated steel sheet for heat-shrinkable bands; steel used for inner magnetic shields ("IMS") for Sony's 42RSN model; hot-rolled SCM 415 frame steel, hot-rolled SCM 415 modified frame steel, and hot-rolled NST490 frame steel used in the production of CRTs. In particular, for FY'02 our Pittsburgh facility will use approximately [ ] tons of IMS steel for the 42 RSN CRT model, [ ] tons of steel for heat-shrinkable bands and [ ] tons of SCM 415 hot rolled steel. For FY'02, our San Diego facility will use approximately [ ] tons of SCM 415 modified steel, [ ] tons of NST490 frame steel and [ ] tons of steel for heat-shrinkable bands. As you can see, the total amount of imported steel used by Sony's plants, only [ ] tons, is insignificant in comparison to the total amount of imported steel subject to this investigation, but the impact to Sony on any additional duties or quota will be disproportionately significant.

2. Sony is a large employer in the television industry. The Mount Pleasant facility alone employs [ ] full-time workers with a total payroll approaching [ ]. The San Diego facility employs [ ] people with a total payroll of approximately [ ].

3. We face intense competition from foreign CRT producers because they have lower production costs. In fact, former U.S. television manufacturers have moved their facilities to Mexico to benefit from these lower costs. For example, the cost of labor in the United States is significantly higher than the cost of labor in Mexico. From 1995 to 1998, U.S. consumption of CRTs dropped from 14 million units to 10 million units. In 1990, there were 34 television manufacturing facilities in the United States with approximately 26,000 workers. Presently, there are only a few U.S. manufactures of direct view televisions in the United States. Conversely, manufacturing facilities in Mexico have increased from 13 television manufacturers in 1998 to 22 in 2001. This trend has continued and will continue as U.S. television manufacturers are forced to compete with cheaper imports.

4. Placing tariffs on the imported steel would have a dramatic adverse impact on our profitability. Currently there are relatively small profit margins generated by our manufacture of color televisions. As a matter of fact, Sony recently shut-down two CRT production lines for computer monitors because Sony could not compete with the less expensive CRTs produced overseas. This resulted in a loss of [ ] U.S. jobs in San Diego. There is a constant pressure to reduce costs due to cheaper televisions being imported from foreign sources. This situation is compounded by the fact that television manufacturers in Mexico can export their televisions to the United States duty free due to NAFTA.

5. The application of any additional duties places Sony at a continued disadvantage as compared to our fellow NAFTA members, Mexico and Canada. For example, Mexico has a program called PROSEC that has reduced the duty on Non-NAFTA television parts imported into Mexico to 0.5%. This allows Mexico to produce televisions at reduced costs as well as importing the finished goods into the U.S. and Canada duty free. Canada initiated a similar program in 1994. The United

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States has no parallel program resulting in an average U.S. duty rate of [ ]% for our television parts. Because we have to pay a duty that is [ ] times higher for television parts, our cost of production is significantly higher than the cost of manufacturing in Mexico and Canada. This places us at a considerable disadvantage with imports of CRTs and televisions from Mexico and Canada. Imposing additional duties on the imported steel we use would only further put Sony at a disadvantage.

6. Sony has made a commitment to maintain its presence in the United States and will continue to manufacture televisions and CRTs here as long as we are able to remain profitable. Factors such as NAFTA duty preference, reduced transportation costs and efficient use of logistics are significant benefits to the continued manufacture of televisions and CRTs in the United States. Additionally, Sony's CRT and television manufacturing has supported a network of over 1,300 local vendors from whom many of our parts are purchased. Sony is committed to supporting communities where its employees work and live. These suppliers require certain steel products as essential raw materials. We must turn to imported steel when domestic suppliers are unable to provide us products at the quality levels required and delivery times necessary to meet our needs.

7. With the intense competition from off-shore television and CRT manufacturers, we cannot afford to pay increased tariffs or suffer any quota on our imported steel. Due to the specific design of our CRTs, Sony is required to purchase HS Band steel, IMS 42RSN steel NST490 frame steel and the SCM 415 frame steel with particular specifications. At this time, we are testing the SCM 415 (modified). Other than the NST490, we believe the SCM 415 (modified) is the only other steel able to meet our needs for our 29" CRT. Our imported steel is not available domestically. Even if a comparable steel were available, we would have to redesign the various parts of the CRT and that would be cost-prohibitive. We estimate that a 40% tariff on our imported steel we use would raise our costs of production by approximately [ ] in our Mount Pleasant facility and [ ] in our San Diego facility. Given that intense competition has already minimized our profit margin on CRTs, we would not be able to continue manufacturing at our current levels.

8. This steel is not available domestically and placing quotas would only limit the amount Sony can expand production of its televisions. In addition, supply disruptions caused by quotas could restrict current production levels. A tariff or quota would not help domestic steel producers as they do not compete with these products. Increased tariffs or quotas would only force us to drastically cut our revenue and might ultimately force us to move our facilities to lower-cost areas of the world. Steel used to produce HS Bands, IMS for the 42RSN model, NST490 frame, SCM 415 frame and SCM 415 (modified) frame steel should all be excluded from any remedy recommendation to the President.

John Halac,
Purchasing Supervisor
SONY Display Device - San Diego

Louis Dubois
Purchasing Agent
SONY Display Device, Pittsburgh

Dated: November 12, 2001

Westmoreland County
Commonwealth of Pennsylvania

On this the 12th Day of November, 2001

Louis Dubois appeared before me to notarize his signature.

Maryann Schach My Commission expires September 14, 2002

Notarial Seal
Maryann Schach, Notary Public
East Huntingdon Twp., Westmoreland County
My Commission Expires Sept. 14, 2002
Member, Pennsylvania Association of Notaries

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Panasonic

Matsushita Display Devices Company of America

Division of Matsushita Electric Corporation of America

AFFIDAVIT OF CHRISTOPHER READ

ASSISTANT GENERAL MANAGER

MATSUSHITA DISPLAY DEVICES COMPANY OF AMERICA

I, Christopher Read, declare and state to the best of my knowledge and belief, that:

1. I am an employee of Matsushita Display Devices Company of America ("MDDA") of Troy, Ohio, a division of Matsushita Electric Corporation of America. I currently hold the position of Assistant General Manager-Material Control, and I have held this position since June 1999. I have personal knowledge of the information contained in this submission.

2. Heat-shrinkable band – a highly specialized coated steel product from Japan – is used to manufacture a shrink-fit implosion protection band for Panasonic's "Pure Flat" (PF) Color Picture Tubes, which are used in Panasonic's high-end Tau Pure Flat model televisions. The implosion protection band is a critical part of the picture tube. Consumer safety depends on proper design, material characteristics, and process control of band manufacturing and application. During the implosion proofing process of picture tube manufacturing, the implosion protection band is heated up and expands. This allows the band to be fitted around the periphery of the picture tube. During subsequent cooling down process the implosion protection band shrinks back to the original dimension and creates pressure around the picture tube periphery, which equalizes the external atmospheric pressure and does not allow the picture tube to collapse and implode. The HS band also is used as a secondary magnetic shield element of the picture tube.

3. MDDA purchases the component (band) from EPI (Englewood Precision, Inc, Englewood, Ohio). EPI produces 100% of MDDA's bands. EPI also produces Sony's bands for their stretched tension mask applications. Sony and Matsushita share tooling to produce 32v and 36v flat tube bands using this newly developed "tension mask" technology. The material used for MDDA's 32v and 36b Pure Flat tubes is the same material as used for Sony's 36v Vega. The steel for MDDA [ ] is produced by [ ] while Sony uses [ ]. [ ].

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Matsushita Display Devices Company of America

Division of Matsushita Electric Corporation of America

4. There are three (3) important characteristics of steel used to manufacture implosion protection band for PF picture tubes: (1) High tensile strength – Due to the fact that the perfectly flat picture tube is more susceptible to implode than a conventional (curved) tube, tensile strength of 440-490 N/mm^2 is required as opposed to 280-300 N/mm^2 for the conventional tube. (2) High permeability – A perfectly flat picture tube requires additional magnetic shielding due to lower purity tolerance under terrestrial magnetic field. Implosion protection band serves that function also and steel permeability should be in the range of 450-630. Permeability as low as 200 is satisfactory for steel used on conventional picture tubes. (3) Resistance to high temperature – The steel should maintain specified mechanical and magnetic properties after being heated up to 500 deg. C. This requirement is essential because of the thermal expansion process used to apply the band on the picture tube. Conventional tubes use aluminum dip coated cold rolled steel purchased by EPI from Wheeling-Nissin in Wheeling, WV.

5. MDDA cannot substitute another steel product for HS band. MDDA must purchase to Matsushita's specifications of the part drawing. MDDA has requested that EPI find a domestic source for this steel. EPI has been unsuccessful in finding any domestic source that can currently provide steel with the high tensile strength, high permeability and resistance to high temperature characteristics. EPI has been successful in purchasing domestic steel for MDDA's band requirements for other picture tubes; however, the characteristics for the HS band are unique and this specialty product has not been developed stateside. Domestic steel producers indicate to EPI that they are not able to make the sizeable investment efforts to produce bands to Matsushita's specifications.

6. As detailed in the previous questions, this band is a critical component for tube manufacture. Without it, MDDA could not produce any flat screen product. Stretched tension mask technology is new for both Sony and Matsushita. Pure Flat tubes produced in Troy, Ohio support Matsushita's NAFTA requirements for 32V and 36V Panasonic televisions. [ ] Flat Screen tubes account for at least 25% of our yearly sales revenue. Pure Flat is one third of our CRT production lines [ ]. Without production and respective overhead absorption, other products would become uncompetitive and a continued Troy operation would be in jeopardy. Matsushita and Sony are the only producers of flat screen televisions in the NAFTA region using this new stretched tension mask technology.

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7. MDDA is the largest employer in Miami County, Ohio. Economic impact to the local community from the Troy operation is approximately $110 million on an annual basis. MDDA employs approximately 1400 workers and operates a one million square foot facility. Overall, MDDA purchases 70% of its material from the NAFTA region, including its glass. Therefore, the economic impact of any disruption in supply of necessary raw materials would be significant to our company and the local community that supports us. Imports of HS band steel are critical to our continued operations. We encourage the International Trade Commission and the U.S. Trade Representative to exclude HS band steel from any import restrictions that could result from this 201 investigation.

Christopher Read

Dated: November 12, 2001

Subscribed and sworn to before me this 12th day of November, 2001.

Notary Public

My commission expires:

ALICE MARIE SUMMERS, Notary Public
In and for the State of Ohio
My Commission Expires June 8, 2002

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